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MEMORANDUM OF CONVERSATION

September 26, 1955

SUBJECT: British Considerations of the Reduction of
East-West Trade Controls.

PARTICIPANTS: G. Wheeler, C.B., Under Secretary,
Ministry of Defence

H. Gresswell, C.B.E., Assistant Secretary
Ministry of Defence

Allan Edden, Head, Mutual Aid Department
Foreign Office

Admiral W. S. DeLany, Deputy Director
Mutual Defense Assistance Control

Robert W. Barnett, Regional Affairs Office
Department of State

Edwin G. Moline, Acting Deputy to the Minister
for Economic Affairs,
American Embassy, London

The meeting was in response to British initiative for some bilateral discussions of East-West trade matters, taking advantage of the opportunity of the visit to London of Admiral DeLany and Mr. Barnett. This is a summary report of the British views expressed at the meeting.

After initial pleasantries, Mr. Wheeler said that he had particularly wanted an opportunity to talk with responsible U.S. officials regarding East-West trade matters because the British had under review at the present time the question of a modification of the existing lists in the light of the concepts which were now dominating a great deal of the military planning. Prior to the French initiative to call a CG meeting, the British independently had been considering the meaningfulness of the present control lists drawn up as they were initially against the concepts of long-drawn-out warfare of attrition on a global scale. Nowadays, when the military recognized the devastating power of thermo-nuclear weapons and planned in terms of wars of short duration and nearly total destruction of industrial objectives with the initial attack and retaliation, the

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controls aimed at limiting the acquisition of conventional weapons and of preventing the build-up of the industrial base necessary to support a long-drawn-out war on a global scale, seemed to have even less purpose than had previously been the case. Furthermore, when it was the British judgment that the present controls were of very limited marginal importance in terms of weakening the ability of the Soviet Bloc to wage a war with conventional weapons, it was hard to rebut the case that the present control lists were of even less significance against the new concepts.

In addition to this reexamination which the British had under way when the French proposed the CG meeting (which the British found premature because of the stage which their own studies had reached) they were confronted with great domestic pressure both to relax controls generally and to bring China controls down to the level of those applying to the rest of the Soviet Bloc. This pressure was to a large extent Parliamentary pressure reflecting the opinion of the public in several constituencies, motivated both by the public reaction to the better atmosphere following the Geneva talks, reaction to the exhortation of the Government to export more, and the fact that some individual segments of business failed to enjoy the general prosperity of the country.

It was too early to say what changes the British would have to suggest in the control lists, as the matter had not been fully considered by the Ministers. In the meantime, the British would stand upon the tripartite pre-Summit agreement on handling strategic trade controls in negotiations with the U.S.S.R. It was thought, however, that the British would be ready and would wish to talk in more detail with the United States in another three or four weeks about the outcome of their studies. As a general indication of the conclusions towards which they were moving it might be noted that in place of the present criteria for listing items, the British military were, in terms of strictly defense requirements, testing the listing of individual commodities against the consideration of whether their continued control would significantly limit the initial readiness of a potential aggressor to launch an attack with thermo-nuclear weapons or effectively limit the defense of the Soviet Bloc against retaliatory attack of the same sort from the West. Where an item was in the list at present primarily to hamper industrial development useful to the ability of the Bloc to wage conventional war for a long period on a global scale, it would be the British view on the basis of its new concept that such an item should no longer be retained.

The British were asked whether they recognized the possibility of limited localized wars being fought with conventional weapons, say on the Korean pattern, or alternatively the possibility that the threat of thermo-

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nuclear destruction might be mutually regarded as so real as to place such weapons in the category of gas in the last war, leaving the global war to be fought with conventional weapons. They replied that while they recognized such possibilities they did not seem to provide sufficient reasons for maintaining controls over the types of things which might affect Bloc capacity to wage such wars. In the British view, the Soviet Bloc had adequate capacity and stocks of conventional weapons so as to be completely beyond the reach of Western controls, which, on the most optimistic appraisal, had had almost no effect on the Soviet's military capacity. Some British opinion held this view so strongly that it felt there was no reason why conventional weapons should be controlled. None-theless, the British would not propose, in implementation of their new concept, to remove conventional weapons from the list, or machinery so specialized as to be useful only for producing such weapons or ammunition, or items incorporating advanced military know-how.

In response to another question, the British said they were prepared, as indicated above, to hold to the tripartite position previously agreed in July with regard to the present East-West trade controls for the Foreign Ministers' talk in Geneva. Even if they had not wished to do so, they would not have been in a position to advance their new ideas by the time of that meeting.

Mr. Wheeler spoke briefly to the point of the British dissatisfaction with the differential between the China controls and those applying to Eastern Europe. The sum total of the British presentation on this question was to convey the impression that they took for granted the eventual establishment of one list applicable to the entire Bloc. In making their presentation on the point, however, they stressed the impossibility of their continuing to maintain in Parliament that there was any logic in keeping differentials when the items on the Chinese list could be obtained through Eastern Europe if they were essential to the Chinese economy, and be acquired at an additional cost which was of little real significance so far as its impeding Chinese industrial development or military potential was concerned. The British contended that many of the differential items were of a kind which were thought to be immediately useful in the prosecution of the Korean War, but this excuse was no longer valid since the hot war had been concluded in the Far East. They argued further that perpetuation of the system merely drove the Chinese more closely into the arms of the Russians.

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Mr. Barnett made a closely reasoned presentation of the U.S. view on the need to maintain both the European controls and the Chinese differential. He stressed in particular that the Chinese evidently found the differentials extremely distasteful and were anxious to have the trade controls removed. This important factor, in addition to the real, though perhaps marginal, economic effects, was something that should be regarded as a valuable bargaining asset. The voluntary, multi-lateral, differential controls now applied should not be abandoned prematurely when they might figure as a substantial factor in negotiating an improvement in the situation between China and the West. Attached hereto is a summary prepared by Mr. Barnett of the argument he developed. Messrs. Wheeler, Gresswell, and Edden remarked that they had found the statement of justification for the U.S. attitude very illuminating, and intimated that full account would be taken of it in presenting their recommendations to the Ministers.

It remained the British contention, however, that the strategic controls applicable to China might be modified without doing violence to the UN Resolution branding China as an aggressor. They suggested that they were quite prepared to make such a change after discussion with the other nations maintaining the multilateral controls. They mentioned in particular that an additional element in their thinking was their belief that the controls are disintegrating in any case and had better be modified in an orderly fashion for some logical reason than to be brought into disrepute by constant questions and wholesale modifications.

On the specific question of a date for the CG meeting, the British thought it would be agreeable to aim for a period ten days or two weeks after the end of the Foreign Ministers' meeting but not earlier than the first week of December. The British would have prepared their own views by that time but thought that such a schedule would press a bit tightly if there were to be a full-scale exchange of views with the US and French prior to the meeting. They specifically said that they expected to talk informally with the French prior to the scheduled October 3 trilaterals in Paris conveying to them points that they had put before us.

In concluding the discussion, the British said that they had particularly wished to have it understood by the United States that they not only envisaged one list applicable to the entire Communist World, which was clearly one Bloc, but they also contemplated a reduction in the European

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control list. This had been an important consideration in their unwillingness to discuss China controls in line with the French proposal for a CG meeting, when they might later and within a short period have been coming back with a proposal for a further reduction of the unified list. In response to a question as to whether it would now be the British view that an agreement should be sought on a reduction of the European list and then a reduction of the China controls to the new European level, or whether they contemplated an immediate reduction of the present China controls to the present European levels while the new British concept was being discussed, Mr. Wheeler indicated the British intended now to take the latter approach.

Attachment A-Summary of US Argumentation in US-UK
Bilaterals on East-West Trade

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